

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Agenda Item 14

Agenda ID 12407

ENERGY DIVISION

RESOLUTION G-3482(rev.1)

October 17, 2013

R E S O L U T I O N

Resolution G-3482. Southern California Gas Company requests approval of a Compression Service Tariff to design, construct, own, operate and maintain natural gas compression facilities to serve the Natural Gas Vehicle refueling station, Combined Heat and Power and peaking plant markets.

PROPOSED OUTCOME: This Resolution approves Advice Letter 4459 subject to modifications. The modifications require that Southern California Gas Company provide information concerning the operation of the tariff as approved by Decision 12-12-037, and make changes to the tracking account, the proposed webpage and the Compression Services Agreement.

ESTIMATED COST: No cost to non-tariff ratepayers.

SAFETY CONSIDERATIONS: The proposed compression service involves inherent safety risks associated with the compression of natural gas. It is the utility's responsibility to adhere to all Commission rules, decisions, General Orders, and statutes including Public Utility Code Section 451 to take all actions "...necessary to promote the safety, health, comfort, and convenience of its patrons, employees and the public."

By Advice Letter 4459 filed on February 4, 2013

SUMMARY

This Resolution approves, subject to modifications, the Southern California Gas Company (SoCalGas) Compression Services Tariff (CST). The tariff allows SoCalGas to design, construct, own, operate and maintain natural gas compression facilities to serve the Natural Gas Vehicle refueling station, Combined Heat and Power and peaking plant markets. Decision 12-12-037

requires that non-participating customers be shielded from any costs, expenses or risks of the CST and that CST customers and shareholders be responsible for these costs, expenses and risks. This resolution requires that the Advice Letter be modified and supplemented to:

- Provide additional information concerning balancing and tracking accounts
- Clarify and provide that the Compression Service Tracking Account will record Compression Service Tariff costs and revenues on a project-specific basis
- Make changes to Section 11 of the Compression Services Agreement concerning the assignment of contracts to a Sempra affiliate
- Make changes to the disclaimer on the SoCalGas website page dedicated to Compression Services.

BACKGROUND

On November 3, 2011, Southern California Gas Company (SoCalGas) filed Application (A.) 11-11-011 requesting authority to offer, “a new tariff service to meet the current and future needs of non-residential customers requiring natural gas compression above standard line pressure for customer end-use applications.”¹ The proposed compression service target market consists of customers who wish to own Natural Gas Vehicle (NGV) refueling facilities, Combined Heat and Power (CHP) facilities, and peaking generation facilities.

Decision (D.) 12-12-037 approved SoCalGas’ proposal on December 20, 2012. The Decision stated that the CST “is in the public interest because it offers additional choice to consumers and makes more widely available a service that reduces greenhouse gas emissions, and will lead to an increase in the use of natural gas, an alternative to gasoline and diesel fuel.”² However, D.12-12-037 noted that, in order to serve the public interest, the CST would need to be subject to certain reporting and accounting requirements. The requirements are intended to ensure that SoCalGas does not gain an unfair competitive advantage and that CST customers bear all cost and risks of providing the service. They require that SoCalGas establish balancing and tracking accounts and issue a

¹ Application 11-11-011, p. 1.

² Decision 12-12-037. December, 20, 2012. p. 2.

semi-annual report. The report shall include information demonstrating whether SoCalGas is providing its service in a non-discriminatory manner and information concerning market shares relating to the service, i.e. the volume of compressed gas services provided by SoCalGas relative to the total provided in its service territory. The decision authorized SoCalGas to file a Tier 3 advice letter for a Compression Services Tariff that complies with the above requirements within six months of the effective date of the decision.

On February 4, 2013, SoCalGas filed Advice Letter (AL) 4459 to “establish a new schedule and form and balancing accounts to implement a compression services offering in compliance with Ordering Paragraphs (OP) 1 through 6 of D. 12-12-037, granting SoCalGas’ application to establish a Compression Services Tariff (CST).”³ The AL proposes a new schedule, form and balancing and tracking accounts and incorporates the requirement that a Compression Services Agreement include “cost and rate components, adjustments, performance requirements, and payment terms agreed upon in advance by the customer and SoCalGas.”⁴ Further, SoCalGas states that it will use established methodologies identical to those used in general rate cases, to set the price of this service, and to ensure that the customer bears the cost of the services provided.

The new balancing and tracking accounts are required by OP 3 of D.12-12-037. These accounts are intended to ensure that CST customers “bear all costs and risks associated with the provision of the service and to ensure that non-participating customers bear none of the costs and risks associated with the CST.”⁵ The accounts are the Compression Services Balancing Account (CSBA) and the Compression Services Tracking Account (CSTA). The CSBA will be used to credit ratepayers for the use of embedded costs in providing compression services. The CSTA will be used to monitor pricing effectiveness in recovering the cost of service in providing compression services.

The AL also includes two attachments, C and D, as required by the D.12-12-037. Attachment C, submitted to comply with OP 4 of the decision, provides what SoCalGas

³ Advice No. 4459, Establishment of Compression Services in Compliance with D.12-12-037. February 4, 2013. p. 1.

⁴ Ibid., p. 2.

⁵ Ibid., p. 2.

characterizes as a “competitively neutral script” for use in responding to inquiries concerning the CST. Attachment D, submitted to comply with OP 5, provides what SoCalGas calls “competitively neutral language” that SoCalGas will post on a compression services page on the SoCalGas website. Finally, the AL acknowledges that OP 6 of the decision requires that by the end of the ninth month following the authorization of the new CST, SoCalGas will begin submitting semi-annual reports. The AL states that the report will be provided to verify that the new service is on a non-discriminatory basis. While not stated in the Advice Letter, as required by D.12-12-037 the report is to provide information concerning the volume of compressed gas services provided by SoCalGas relative to the total of such services in its service territory.⁶

NOTICE

Notice of AL 4459 was made by publication in the Commission’s Daily Calendar. Southern California Gas Company states that a copy of Advice Letter 4459 was sent to the parties listed on Attachment A to the Advice Letter, which includes interested parties in A.11-11-011.

PROTESTS

Advice Letter 4459 was timely protested by Clean Energy Fuels Corporation (Clean Energy). The protest contends that “SoCalGas’s Advice Letter [4459] does not meet the requirements of D.12-12-037 because it:

- a) does not ensure that ratepayers will be shielded from the costs of the CST
- b) fails to ensure competitive neutrality in the information it provides to potential customers and
- c) proposes reporting procedures that will not provide the Commission with the information necessary to fairly evaluate the CST program.”⁷

⁶ There is a pending application for rehearing and a separate petition for modification of D.12-12-037. Today’s resolution is not intended to nor does it prejudge those filings, which will be addressed and resolved in subsequent Commission decisions.

⁷ Protest of Clean Energy Fuels to Southern California Gas Company Advice Letter 4459, February 25, 2013. p. 1.

Further, Clean Energy raises several additional specific points of protest. These include:

- The CST does not limit SoCalGas to serving only “Underdeveloped Markets”;
- Schedule GO-CMPR’s Rate Design Proposal is insufficient;
- Schedule GO-CMPR fails to reflect limitations on the equipment that can be provided; and,
- The Compression Services Agreement gives SoCalGas the right to assign CST contracts to an affiliate.

Asserting that AL 4459 does not meet the requirements of D.12-12-037, the protest requests that the AL be rejected, or suspended until the resolution of Clean Energy’s Application for Rehearing of D.12-12-037.

SoCalGas replied to the protest of Clean Energy on March 4, 2013. In its reply, SoCalGas presents arguments counter to those raised in the Clean Energy protest and asserts that AL 4459 meets the requirements of D.12-12-037. SoCalGas’ reply is discussed more fully below, in the Discussion section.

On March 5, 2013, DRA late-filed a protest to AL 4459. The Energy Division accepted the late-filed protest. DRA asserts that “SoCalGas’ AL does not comply with the requirements of D.12-12-037 because it does not ensure that non-participating ratepayers are shielded from all of the costs and risks of the CST.”⁸The protest presents four objections:

- a. The CST does not make clear how incremental capital costs and expenses are treated such that these expenses would be excluded from ratemaking proceedings and would not be incorporated in the utility’s base revenue requirement and rates.
- b. The CST does not provide sufficient detail on the CST work categories and project-specific cost accounting.

⁸ Late-Filed Protest to Southern California Gas Company Advice Letter No. 4459, DRA. March 5, 2013. p. 1.

- c. The CST does not adequately demonstrate how work categories, balancing account, tracking accounts and incremental capital and expense accounting will operate so as to assign all costs and risks to shareholders rather than non-participating ratepayers; and,
- d. It is not clear how the preliminary assessment of feasibility and site evaluation are executed and funded.

SoCal Gas replied to the DRA protest on March 19, 2013. Similar to its response to Clean Energy's protest, SoCalGas contends that the assertions made by DRA are incorrect and that the AL fully meets the requirements of D.12-12-037. SoCalGas' reply to DRA is also discussed below.

DISCUSSION

The preliminary statements provided as part of the CST in AL 4459 are consistent with the level of detail provided in other Commission approved preliminary statements. However, SoCalGas needs to provide further explanation of the operation of the balancing and tracking accounts and a categorization of costs that can be reasonably anticipated to occur. Both Clean Energy and DRA raise the concern that the CST, and most notably the Preliminary Statement – Part V – Balancing Accounts Compression Services Balancing Account (CSBA) and Preliminary Statement – Part VI – Compression Services Tracking Account (CSTA) do not provide sufficient detail. Clean Energy asserts that “the proposed CSBA fails to provide sufficient detail to ensure that ratepayers are fully protected from ‘all risks associated with this service’ as required by D.12-12-037.”⁹ DRA comments that “the CST does not properly demonstrate how the CST balancing accounts ...will operate so that all costs and risk accrue to Sempra shareholders and tariff customers rather than non-participating ratepayers.”¹⁰ Essentially the same concern is expressed by both protests concerning the specificity of the CSTA. Both protests present what they

⁹ Op. cit., Protest of Clean Energy. p. 2. Included in its concerns is the treatment of taxes for which Clean Energy requested additional information. SoCalGas provided an explanation of the treatment of taxes in its reply to the Clean Energy protest.

¹⁰ Op. cit., Late-filed Protest, DRA. p. 1.

consider to be specific deficiencies¹¹ in the preliminary statements and both request that greater specificity be required, including a listing of the full range of costs that must be tracked. DRA states that, in addition to adding specificity to the preliminary statements “SoCalGas should clearly demonstrate how the CST work categories, balancing account, tracking accounts, internal order number and incremental capital and expense accounting will operate so that the Commission can be confident that all costs and risk accrue to Sempra shareholders and CST tariff customers....”¹² The protest goes on to reference the year-by-year analysis of a sample project provided in A.11-11-011 and notes that “Given [that] the Commission has specified the terms of how the CST program will operate in D.12-12-037, SoCalGas should revise the cost/revenue analysis (i.e., SCG-14, Table 1B) with work categories, balancing account, tracking accounts, and internal order numbers associated with the program and which demonstrates the Commission mandate that non-participating rate payers bear no costs or risks.”

SoCalGas’ advice letter 4459 meets the requirement of D. 12-12-037 in that it includes the CSBA and CSTA accounts but it is insufficient in ensuring the requirements of D.12-12-037 that non-CTS tariff ratepayers be shielded from all CST cost and risk. The range and scope of issues raised in the protests demonstrates the need for clarity not provided in the broad preliminary statements or otherwise provided in the AL. Further the replies of SoCalGas to the protests do not adequately address issues concerning the need for the CST to ensure that non-tariff ratepayers are shielded from all CST cost and risk.

SoCalGas argues that D.12-12-037 does not require the level of detail that the protests seek. In support of its assertion that it is not required to provide further detail SoCalGas points to other preliminary statements in place noting that the level of detail in the CSBA and CSTA proposed in AL 4459 “is consistent with the level of detail provided in the Preliminary Statements approved by the

¹¹ The Clean Energy protest asserts the following deficiencies: clarity on the scope of costs; insufficient detail concerning amortization debit entries; and, lack of clarity concerning income tax treatment. DRA asserts the need for SoCalGas to set up separate work categories for the CST, establish a unique internal order and tracking system to track and identify CST related revenues and costs, and incremental capital and expense accounting.

¹² Op. cit., Late-filed Protest, DRA. p. 3.

Commission for SoCalGas' other regulatory account mechanisms."¹³ In response to an Energy Division Data Request, SoCalGas provided reference to two Preliminary Statements which it asserts, are of a level of detail comparable to that provided for in the CSBA and CSTA preliminary statements.

The fact that D.12-12-037 did not specifically list items for inclusion in the CSBA and CSTA or otherwise specifically require an explanation and specific information addressing legitimate questions concerning the accounts does not free SoCalGas from the responsibility to ensure that ratepayers not be exposed to CST costs. The information provided in AL 4459 is not sufficient to meet that responsibility.

SoCalGas' argument, that projects are unique and "could" vary from project to project, is insufficient in addressing the questions raised in the protests and the request for greater detail. SoCalGas has, in proceedings concerning the Application for the CST and elsewhere, consistently asserted its ability to accurately estimate, for the purpose of pricing, and capture, for the purpose of accounting, all costs and revenues associated with a CST project. This ability necessarily implies knowledge of all or substantially all of the costs it is likely to incur. Further, SoCalGas does not assert that the full range of costs will vary from project to project but simply that it could. As such it is indicating that costs will be common for most if not all projects it undertakes. Accepting SoCalGas' statements regarding its ability to accurately price and account for costs and revenues, and the likely consistency of costs across projects, it appears that the information needed to demonstrate and explain the effectiveness of the CSBA and CSTA accounts is readily available. All parties and the Commission will benefit from the information and the surety required by the Decision will be advanced.

It is SoCalGas' responsibility to proactively comply with the Decision. It is inappropriate to shift this responsibility to after the fact audits. SoCalGas argues that "the CSBA is subject to audit by the Commission to ensure compliance with the tariff, which would include the review of any embedded costs recorded in the CSBA for accuracy and completeness to ensure SoCalGas ratepayers are

¹³ Reply to Protest of SoCalGas Advice Letter (AL) 4459 – Establishment of Compression Services in Compliance with D.12-12-037. March 4, 2013. p. 2.

shielded from CST costs pursuant to D.12-12-037.”¹⁴ This argument seeks to inappropriately shift SoCalGas’ responsibility from proactive compliance with the Decision to after the fact Commission enforcement of the Decision. Further, in order to effectively audit the CSBA the Commission will need to have a clear understanding of the operation of the accounts – effectively the same explanations and information requested in the protests.

In its reply to the Clean Energy protest SoCalGas appears to discount the absolute requirement that embedded costs be accounted for in pricing and that non-participating ratepayers not be burdened with the use embedded resources in the pursuit or execution of compression service projects. Proper Accounting of embedded costs is critical to shielding other ratepayers from CTS costs. This very issue was raised and addressed in D.12-12-037. The Decision notes the role of the balancing account as a “mechanism to credit back ratepayers for the use of services that are paid through the utilities embedded costs.” The Decision notes SoCalGas’ assertion that “these costs are small compared to the overall costs of the CST” and responds to the assertion stating “but it is critical to the fair provision of this service that these costs are charged to the CST.”¹⁵ Despite this clear direction in the decision SoCalGas repeats its view of the role of embedded costs on pricing. In the reply to Clean Energy, SoCalGas states that it “does not believe the use of embedded costs will be significant nor will it have a material impact on the pricing of CST services.”¹⁶ The reply continues stating that SoCalGas will “consider the full range of costs which *may* include estimates of embedded costs incurred or anticipated to be incurred in developing its pricing for CST services.”¹⁷ (Italics added for emphasis) The repetition of this view of embedded cost raises concerns. First, without further explanation, it is difficult to envision a CST project that would not involve some use of embedded resources in some part of the pursuit, scoping, execution, administration and accounting for the project. As such, the qualifying language that pricing *may* include estimates of embedded costs incurred or anticipated is inconsistent with the Decision and the Commission’s understanding of projects

¹⁴ Ibid., p. 2.

¹⁵ Decision 12-12-037. December 20, 2012. p. 41.

¹⁶ Op. cit., Reply to Protest of SoCalGas Advice Letter (AL) 4459. p. 2.

¹⁷ Ibid., p. 2.

that would fall under the CST. Further, the statement that SoCalGas does not believe that embedded costs will have a material impact is irrelevant. The requirement that non-tariffed ratepayers be shielded from CST costs is not a matter of degree or a question of what SoCalGas considers to be material. The requirement is absolute.

In the supplemental advice letter that is ordered in this resolution, SoCalGas should provide a thorough demonstration of the operation of the CSBA and CSTA by way of an analysis of a sample project. The DRA protest notes that SoCalGas incorporated a demonstration of a year-by-year analysis of a sample project in A.11-11-011. DRA comments that in D.12-12-037 “ the Commission has specified the terms of how the CST program will operate...SoCalGas should revise the cost/revenue analysis (i.e., SCG-14, Table 1B) with work categories, balancing account, tracking accounts and internal order numbers associated with the program which demonstrates the Commission mandate that non-participating ratepayers bear no costs or risks.”¹⁸ This recommendation from DRA has several advantages. First it makes use of information that the protesting parties and the Commission should be familiar with. Second, it provides a working explanation and ‘demonstration’ of how the CSBA and CSTA will work. Third it will provide information on the types of costs that are likely to be incurred in a project. Fourth, as an explanatory tool, it will answer questions raised, recognize that actual projects may and will vary from the example and not require revisions to the preliminary statements presented in the AL.¹⁹ Following DRA’s recommendation, we require SoCalGas to submit revised Table 1B and associated workpapers²⁰ to demonstrate the operation of the CSBA and CSTA, and how they will insulate non-participating ratepayers from the costs and risks of the SoCalGas compression services.

¹⁸ Op. cit., Late-filed Protest, DRA. p. 3. The Clean Energy protest makes a similar request that SoCalGas provide an example of CST accounting demonstrating that non-tariffed ratepayers are not at risk.

¹⁹ As discussed in later paragraphs, this resolution requires modification such that the CSTA track costs and revenues specific to a project. This modification should be incorporated in the analysis of the sample project.

²⁰ A.11-11-011, SoCalGas Late Filed Exhibit, SCG-14, Table 1B, June 26, 2012. Associated workpapers are those provided to DRA in its data request concerning SCG-14, Table 1B.

The CSTA should be modified to reflect and directly account for project specific costs and revenues as required by D.12-12-037. The fact that this information resides elsewhere does not meet the requirements of the Decision.

The preliminary statement should be modified to make clear that project specific costs and revenues will be tracked within the account. The Clean Energy protest states that, "the CSTA does not appear to be project-specific as required by D.12-12-037."²¹ Clean Energy accurately notes that the Decision "directs SoCalGas to maintain the CSTA 'to track both the cost and revenues related to a specific project.'"²² SoCalGas does not dispute Clean Energy's statements. Rather it explains that the information the Decision requires be present in the CSTA resides elsewhere in the SoCalGas general accounting system and can be used for the purposes that were intended to be met by the CSTA.

Service under the CST is not limited to "underdeveloped markets." The Commission finds nothing in D.12-12-037 limiting SoCalGas provision of the CST to underdeveloped markets as asserted by Clean Energy.

Schedule GO-CMPR's rate design is sufficient. Clean Energy argues that as currently written the rate methodology does not allow the Commission to determine if the rates will cover the cost of the specific project as well as a portion of program costs. However, as indicated by SoCalGas the rate structure provided and the degree of specification is nearly identical to that provided in Rule 2. An examination of Rule 2 verifies that the CST rate structure is substantially the same as that in Rule 2 and does not require further specification.

Schedule GO-CMPR adequately reflects the service and associated equipment that will be provided. Clean Energy notes that Schedule GO-CMPR fails to define "peripheral equipment" and that a definition is required to reflect the limitations on service provided under D.12-12-037. However, as suggested by SoCalGas, such a definition and listing of peripheral equipment is not practical. Further, the service provided should be the test of whether the limitations of the decision are met rather than the equipment used to provide the service.

²¹ Op. cit., Protest of Clean Energy. p. 4.

²² Ibid., p. 4.

SoCalGas should modify language relating to assigning CST contracts to an affiliate. SoCalGas agrees. Clean Energy comments that “The Compression Services Agreement provided in the Advice Letter filing includes a provision granting SoCalGas the unlimited ability to assign its contracts to a Sempra affiliate. This provision is new, and the assignment to an affiliate was not considered in the application....”²³ Clean Energy’s stated concern with the provision is that the CST could be used to test and develop market expertise using the utility to build the service and then transfer the service to an affiliate if successful. SoCalGas replied that the right of assignment is common and was added to protect it in the event the Commission ever ordered SoCalGas to divest or discontinue the compression services. SoCalGas agrees to remove the term affiliate from the provision. The last sentence of Section 11 of the Compression Services Agreement will be revised to read: “On no less than thirty (30) days notice to Applicant (which notice shall provide the legal name of the assignee), Utility may assign any part or all of its rights and/or delegate its duties under this Agreement to any third party approved by the Commission without further consent or approval of the Applicant.” The proposed modification addresses Clean Energy’s concern.

The proposed Neutral Marketing Script adequately meets the requirements of D.12-12-037. The wording of the marketing scripts as provided in Attachment C to AL 4459 addresses, in a neutral manner, the likely questions that will be asked in potential customer inquiries. Clean Energy raises the issue that the list is not exhaustive. However, it is unreasonable to expect that SoCalGas can anticipate every question that will be asked, and as such that it will have a scripted neutral response. Further, knowledge of the training in the use of the script is not necessary. It is not required by the Decision and SoCalGas has committed to using practices applied in like situations.

SoCalGas has agreed to modify its website disclaimer. Clean Energy asserts that the D.12-12-037 does not require a disclaimer and that the disclaimer serves to add to customer confusion. The protest recommends a significantly shorter disclaimer eliminating language noting, among other things that SoCalGas does not recommend or endorse the products or services of any particular party listed. The Commission agrees that such language is commonplace and it is consistent

²³ Ibid., p. 8.

with language used on the SoCalGas Energy Service Providers website as well as language used by other utilities in similar circumstances. In response to the Clean Energy protest SoCalGas agrees to simplify its disclaimer.

Decision 12-12-037 defined specific information to be included in the semi-annual report. Nothing in the AL conflicts with this requirement. Clean Energy asserts that the information required is incomplete and will not provide meaningful information about market development. SoCalGas asserts that, the AL is consistent with the information to be provided in the reports. Independent of either party's assertion, SoCalGas correctly notes "Should the Commission wish to request further information, it can do so at any time."²⁴

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived or reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

On October 7, 2013 Clean Energy submitted comments on the draft of this resolution. The Clean Energy comments assert that three issues are not addressed in the draft. First, Clean Energy states that the draft approves updated language concerning the Assignment language but does not clarify how the revised provision will work. Second, Clean Energy comments that changes to the disclaimer on the SoCalGas website "do not go far enough" to eliminate bias. Third, Clean Energy contends that their concerns regarding limitations on service, tariff information, marketing language, reporting and monitoring requirements and other program design elements have not been met. In addition to these issues, Clean Energy asserts that the procedural status of the tariff is unclear.

²⁴ Op. Cit., Reply to Protest of SoCalGas Advice Letter (AL) 4459. March 4, 2013. p. 9.

Regarding Clean Energy's first issue, SoCalGas assignment of a project to a third party subject to Commission approval, is governed by Article 6, Section 851 of the Public Utilities Code. This section defines the approval process that would be applied in order for a project to be assigned to a third party. The process does not require that SoCalGas submit an application.

Clean Energy's second issue is that the resolution "does not go far enough" in eliminating bias in the SoCalGas website language. However, the comment neglects that fact that, contrary to Clean Energy's assertion that other providers are not mentioned until several paragraphs later, the website paragraph at issue references information needed by "you or your service provider" and that "regardless of your approach to design and construction...." Such references indicate that other service providers are available and SoCalGas notes the list of non-utility service providers including consultants, component manufacturers, installers and others in the next following paragraph. As such, there is no further modification needed to the website beyond that required by the resolution and agreed to by SoCalGas.

The third "unresolved issue" covers multiple topics. The initial topic listed concerns Clean Energy's assertion that the CST is limited to providing services to "underdeveloped markets." However, as stated previously, nothing in D.12-12-037 limits the CST to a specific market. In fact, the reference on which Clean Energy bases its assertion clearly notes that the Clean Energy strategy is to limit itself to a single segment of the market and that the "CST will be available on a nondiscriminatory basis to all potential users, regardless of size..."²⁵

The next topic presented concerns "required tariff information." However, there is no specific indication as to which items later discussed in the comments fall under this category versus the other issues raised above. These additional items include Clean Energy's assertions that Schedule GO-CMPR reflect all rate components; that the CST be modified to specify that only specific dispensing equipment should be used; that D.12-12-037 be modified; that tax treatment be explained; and, that SoCalGas provide training materials.

With regard to schedule GO-CMPR, the schedule is consistent with approved practices and the information to be provided in the supplemental AL called for by this Resolution will indicate the cost components for projects. The same can

²⁵ Clean Energy protest of AL 4459, footnote 13, p. 6, as quoted from D.12-12-037 at 47.

be said for tax treatment. The exhibits required for the supplemental AL will need to provide information showing tax treatment related to projects.

Concerning the marketing script, SoCalGas has stated that it will use training practices consistent with past training and the ultimate test of neutrality is the execution of the marketing script, not the training.

Contrary to established procedure Clean Energy asks as part of its comments on the draft Resolution that D.12-12-037 be modified concerning the reporting requirements for the CST. The Commission noted previously that it can and will, if necessary, seek information required to monitor the competitive impact of CST. SoCalGas has acknowledged the Commission's right to do so. A Resolution to an AL is not the appropriate vehicle for a modification to a Decision.

Clean Energy also asks for clarity regarding the implementation of the CST. Implementation of the CST will require the submission of a supplemental Advice Letter as indicated previously, and such AL will be required to be a Tier 2 AL.

FINDINGS AND CONCLUSIONS

1. On November 3, 2011, Southern California Gas Company (SoCalGas) filed Application (A.) 11-11-011 requesting Commission authority to offer a new tariff service that will provide natural gas compression service to customers requiring pressure levels above standard line pressure. The service targets Natural Gas Vehicle refueling facilities, Combined Heat and Power facilities and peaking plants.
2. On December 20, 2012, Decision (D.) 12-12-037 approved A. 11-11-011. The Decision ordered SoCalGas to file a Tier 3 advice letter (AL) for a Compression Services Tariff (CST) within six months of the effective date of the decision.
3. Ordering Paragraph (OP) 3, of D. 12-12-037 required that SoCalGas shall establish balancing and tracking accounts to ensure that customers taking service through the CST bear all costs and risks associated with the CST and conversely that non-participating customers bear none of the costs and risks of the CST.
4. OP 4 and OP 5 required that SoCalGas include, as part of the AL, competitively neutral scripts that will be used in answering inquiries concerning the CST, and information for the SoCalGas website that provides information in a competitively neutral manner.

5. OP 6 required that SoCalGas shall serve on parties to A.11-11-011 and the Commission, a semiannual report pertaining to services under the CST. The report is to provide information concerning: (a) whether SoCalGas has provided services on a non-discriminatory basis; and (b) the total volume of compressed gas services provided in the SoCal Gas service territory and the volume provided through the CST.
6. On February 4, 2013, SoCalGas filed a tier 3 AL, i.e., Advice Letter 4459. SoCalGas asserts that AL 4459 complies with the requirements of D.12-12-037.
7. Clean Energy Fuels Corporation (Clean Energy) filed a timely protest to AL 4459. The protest contends that: (a) the CST fails to ensure that non-participating ratepayers are protected from the costs and risks of the CST; (b) fails to ensure competitive neutrality in the information it provides to potential customers; and (c) does not provide for, in the semiannual reports, the information needed to properly evaluate the CST program.
8. The Division of Ratepayer Advocates (DRA) late-filed a protest to AL 4459. The Energy Division accepted the late-filed protest. The protest argues, similar to Clean Energy, that SoCalGas does not provide sufficient information regarding costs and expenses and how those costs and expenses will be treated. As a result, DRA contends that SoCalGas has not ensured that non-participating ratepayers will be shielded from these costs and expenses and any risks associated with the CST.
9. The SoCalGas balancing and tracking accounts proposed in AL 4459 are consistent in the level of detail as that approved in other Commission approved tariffs. However, the information provided is insufficient to ensure that non-participating ratepayers are insulated from all costs and risks of the CST.
10. With the Tier 2 supplemental advice letter ordered in this resolution, SoCalGas will revise the year-by-year analysis of a sample project provided in A.11-11-011 , SoCalGas Late Filed Exhibit, SCG-14, Table 1B, June 26 2012 and associated workpapers to conform to the direction concerning the treatment and reporting of costs and expenses as presented in D.12-12-037. This revised sample project analysis will provide the information necessary to determine that non-participating are properly protected from CST costs, expense and risk.
11. The proposed Compression Services Tracking Account (CSTA) does not provide tracking on a project specific basis as required by D.12-12-037.

SoCalGas should clarify and ensure that the CSTA will track project specific information.

12. Nothing in D.12-12-037 limits SoCalGas' market participation to "underdeveloped markets."
13. The rate design presented in schedule GO-CMPR is sufficient and consistent in terms of specificity with the rate structure in approved Rule 2.
14. Schedule GO-CMPR adequately reflects the service and associated equipment that will be provided.
15. SoCalGas included a provision in its Compression Service agreement allowing it to only assign a CST contract to an affiliate. This provision should be modified to avoid the possibility that development costs will be carried by the utility and successful projects then assigned to an affiliate. The language should allow for assignment to any third party as approved by the Commission. SoCalGas recommended and agrees to this modification. The process for approval is defined in Article 6, Section 851 of the California Public Utilities Code.
16. The proposed Marketing Script is adequately neutral and meets the requirements of D.12-12-037.
17. SoCalGas has agreed to abbreviate website compression services page disclaimer concerning other compression service providers.
18. AL 4459 is consistent with D.12-12-037 concerning the information required to be included in the CST semiannual report.

THEREFORE IT IS ORDERED THAT:

1. The Compression Services Tariff is approved with modifications.
2. SoCalGas shall, within 15 days of the date of this resolution, submit a supplemental Tier 2 Advice Letter, AL 4459-A, that:
 - (a) includes a revision of the sample project year-by-year analysis provided in A.11-11-011, SoCalGas Late Filed Exhibit, SCG-14, Table 1B, June 26, 2012 and associated workpapers incorporating a demonstration and appropriate explanation of the CST and the balancing and tracking accounts consistent with the terms specified in D.12-12-037 concerning how the CST program will operate;

- (b) clarifies and provides that the Compression Service Tracking Account will track, on a project specific basis all information required;
- (c) modifies the Compression Services Agreement to allow for assignment of CST contracts to any qualified service provider, not just an affiliate; and,
- (d) abbreviates the disclaimer concerning compression service providers to be included on the SoCalGas compression services webpage.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 17, 2013 the following Commissioners voting favorably thereon:

Paul Clanon
Executive Director